

SEC36-B

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THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. HO-13388-A
KIK INTERACTIVE)

SUBJECT: ACCELLION TOKEN SUMMIT I
PAGES: 1 through 17

AUDIO TRANSCRIPTION

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1 PROCEEDINGS	1 the community, and taking value from the community on
2 MALE SPEAKER: So, this is the surprise that is	2 this -- on a cryptocurrency? If you could do that, and
3 no longer a surprise, since 8:00 a.m.	3 do that alone, and by owning a chunk of that
4 MR. LIVINGSTON: Yes.	4 cryptocurrency, if could be a fundamentally new way to
5 MALE SPEAKER: So, what did you announce at	5 monetize a community.
6 8:00 a.m., and who are you?	6 MALE SPEAKER: So, can you unpack what you
7 MR. LIVINGSTON: Yeah, so I'm from Kik. Kik is	7 announced this morning in terms of -- is it a token
8 one of the largest chat apps in the world, and the thing	8 offering? Is it a set of capabilities? Is it -- is it
9 we are announcing today is a new cryptocurrency called	9 something to do with your ecosystem? So, what are the
10 Kin. Ooh, I know, it's --	10 components of the announcement?
11 MALE SPEAKER: K-i-n?	11 MR. LIVINGSTON: Yeah. So, what we announced
12 MR. LIVINGSTON: -- pretty exciting, K-i-n, and	12 this morning -- we published our white paper. So, if you
13 basically what Kin is -- it's a new way to solve the	13 go to kin.kik.com, you can read our white paper, and
14 problem of the increased monopolization of digital	14 really, we wanted to just get that out there and say,
15 services by a few big companies, and instead puts us on a	15 "Okay, we are doing this."
16 path to a future for consumers that has more choice, more	16 innovation, and ultimately more freedom.
17 MALE SPEAKER: So, to put this in context,	17 And so, that was sort of the starting point to
18 because not everybody knows Kik, you already have	18 start working with the community. But in that white
19 millions of users, and as of yesterday, you didn't have	19 paper, you'll see we outlined four steps to what we're
20 anything to do with the blockchain, and as we know, most	20 trying to do. So, the first step very simply is we're
21 of the tokens we here about typically are coming from	21 going to create Kin, a new cryptocurrency, on the
22 blockchain companies. So, I think you are the first non-	22 Ethereum blockchain. So, it will be an ERC20 token.
23 blockchain company that is announcing a significant token	23 Yeah, go Ethereum.
24 offering.	24 (Laughter.)
25	25 MR. LIVINGSTON: Go ERC20. The second step is
	integrating Kin into Kik, this huge messenger, to give
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1 MR. LIVINGSTON: Yes. Yeah.	1 Kin value. So, this is something we've been -- we
2 (Laughter.)	2 launched Kik points in 2014, a centralized digital
3 MALE SPEAKER: Why?	3 currency, to see if we could get people earning and
4 MR. LIVINGSTON: So, Kik is a really big app.	4 spending in a digital currency, because that's what we
5 Like, if you pull out your phone, and you go to the top	5 thought was missing with Bitcoin. Nobody gets their
6 free apps, you'll find Kik in the top 100 free apps	6 paycheck in Bitcoin.
7 overall on your iPhone, or on your Android, and this is	7 So, everybody has to convert in. What if we
8 actually something that we have been thinking about for a	8 could get people natively earning in a digital currency?
9 while.	9 And we created a transaction volume -- the number of
10 We actually first started thinking about this	10 people earning and spending every day -- three times
11 in 2011 when we first heard about Bitcoin and the	11 higher than Bitcoin's transaction volume globally.
12 blockchain, and what we realized is that the blockchain	12 So we said okay, well, there's something there.
13 allowed a new way -- to create a new way to monetize a	13 So, that's step number two, is taking Kin, and
14 community.	14 integrating it into one of the largest consumer apps in
15 So, historically, you build a community. Kik	15 the world to really give it value, and to make Kik better
16 has 15 million people that show up every month -- over 15	16 and monetize Kik in a new way.
17 million people. And so, historically, what you want to	17 But we didn't stop there. We said, "Wait a
18 do is you sell their attention to advertisers, or you try	18 second, if we give Kin value, could we use some of that
19 to sell them stuff that maybe they don't need or don't	19 value to spark the creation of a new ecosystem of digital
20 want.	20 services?" There's all these developers out there who
21 But now with the block chain, and with a	21 have built these amazing things, but they can't make any
22 cryptocurrency, you could change that, and instead what	22 money. They don't have the scale to monetize through
23 you could do is, hey, what if we just brought people	23 advertising, and these huge companies who do have the
24 together? Brought people together in this community, and	24 scale are giving everything else away for free.
25 created an economy where people are providing value to	25 So, you have all these developers who are

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1 trying to build these amazing things, but they're just --
 2 they're going broke. What if we took a big chunk of Kin,
 3 and used it to create what we call the Kin rewards
 4 engine?

5 And so, it's sort of modeled on the Bitcoin
 6 mining reward. You know, what makes Bitcoin work is
 7 every day -- or every, you know, 10 minutes, some amount
 8 of Bitcoin is given away to the people that run the
 9 infrastructure. What if we gave some amount of Kin away
 10 every day to all of the developers who bring their
 11 digital services into this ecosystem?

12 MALE SPEAKER: How do you decide how much each
 13 one gets? What are the metrics, or have you figured that
 14 out yet?

15 MR. LIVINGSTON: So, the metric will be -- very
 16 simply is, if you're a developer, and you bring your
 17 digital service into this ecosystem, the percentage of
 18 transaction volume that your digital service creates
 19 relative to the overall ecosystem -- the overall Kin
 20 ecosystem, that's the percentage of the daily reward you
 21 get.

22 MALE SPEAKER: It's almost like a profit
 23 sharing kind of a coop type model?

24 MR. LIVINGSTON: Yeah. It economically
 25 incentivizes everybody to work together, and the really

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1 me, about the blockchain, about cryptocurrencies.
 2 It's not just a new way to monetize a
 3 community, but it's a new way to align a large group of
 4 people to all come together and work together to build a
 5 better society for consumers. One that's not just open,
 6 where consumers can freely move between all these
 7 different digital services, but also one where developers
 8 make money.

9 MALE SPEAKER: So, let's be specific about the
 10 users themselves. You said that they can earn tokens.
 11 So, what -- can you tell us the ways that users can earn
 12 tokens?

13 MR. LIVINGSTON: So, we have millions of people
 14 showing up every month, and we have a bunch of different
 15 ways -- a bunch of different examples that we've put into
 16 white paper.

17 Some of them from our experience with Kik
 18 coins, but some of them based on our research going
 19 forward, and we'll have many more, but for example, as
 20 a -- as a teenager, you could create a great sticker, and
 21 you could earn Kin. You could host a great group chat,
 22 and charge entry to that group chat, and earn Kin. You
 23 could create a great bot, and people could use that bot,
 24 and you could earn Kin.

25 And so, that's where we really see this new

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1 nice thing about it is, it creates this great network
 2 effect, where the more developers that come into this
 3 ecosystem, the more transactions they create -- the more
 4 transactions they create, the more valuable Kin overall
 5 becomes, the more valuable Kin overall becomes, the more
 6 valuable the daily reward becomes. And so, we see this
 7 daily reward starting at about \$100,000 a day, but could
 8 quickly grow to half a million, million dollars a day, if
 9 not more.

10 MALE SPEAKER: In terms of token value?

11 MR. LIVINGSTON: In terms of exchange into US
 12 dollars, but with the token value, because --

13 MALE SPEAKER: Mm-hmm.

14 MR. LIVINGSTON: -- we're giving a -- sort of a
 15 set amount of tokens out every day in a declining curve,
 16 and I think this is the thing that most people -- that is
 17 underestimated most, is just how much power the
 18 blockchain -- economic power the blockchain and
 19 cryptocurrencies unlock, because people come to me, and
 20 it's like, "Wow, you're going to give away \$100,000 every
 21 day? You're going to run out of money in no time."

22 If Ethereum were to give out \$100,000 of
 23 Ethereum every day, how many days would it take to get to
 24 giving out all \$10 billion of their current market cap?
 25 It would take 273 years. This is the amazing thing, to

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1 model of, build a community not to sell advertising, not
 2 to try to sell stuff to people they don't need or want,
 3 but just build a place that people come together, and
 4 provide value to each other -- create value for each
 5 other, and if you do that, you can make a better future,
 6 and you can also make money.

7 MALE SPEAKER: So, what's interesting is that
 8 almost from day one, you're going to have this kind of
 9 transactional economy, meaning that users can earn, but
 10 they can also spend.

11 MR. LIVINGSTON: Yeah.

12 MALE SPEAKER: So, that's a key point of any
 13 successful economy, is that it has to be circle.

14 MR. LIVINGSTON: Right. That's the big thing
 15 we saw with Bitcoin back in 2011 is, why would anybody
 16 spend in Bitcoin in the mainstream when everybody's
 17 earning in US dollars?

18 The way you earn in US dollars, they're going
 19 to convert it to Bitcoin, and they're going to buy something
 20 in Bitcoin, and then they're just going to convert it
 21 back to US dollars to pay their employees.

22 Like, that makes no sense. Let's just stay in
 23 US dollars, but now we have this huge digital ecosystem
 24 where people are coming and hanging out digitally in
 25 communities. Now we can actually get people both earning

<p style="text-align: right;">Page 10</p> <p>1 and spending natively in a cryptocurrency.</p> <p>2 MALE SPEAKER: So, this is a new way to</p> <p>3 monetize a community, or is this a new way to incentivize</p> <p>4 -- is this the future of work, or is this kind of more</p> <p>5 community specific?</p> <p>6 MR. LIVINGSTON: This is a few things. So,</p> <p>7 this is a new way to monetize a community. Within this</p> <p>8 community -- within any individual community, it's a new</p> <p>9 way to get compensated for the value you provide, but</p> <p>10 it's also a new way to spark the creation of an ecosystem</p> <p>11 of digital services, and our ultimate vision -- step four</p> <p>12 of our plan, which you'll see in our white paper, is to</p> <p>13 create the Kin Foundation, because at the end of the day,</p> <p>14 we want to use Kik to spark the creation of this new</p> <p>15 ecosystem, but then over time, Kik is just one of</p> <p>16 hundreds, if not thousands of digital services in this</p> <p>17 ecosystem, and Kik has no control over it, and that's</p> <p>18 where the Kin Foundation will come in.</p> <p>19 They'll administer the rewards engine. They'll</p> <p>20 provide an identity service -- think of it as a</p> <p>21 decentralized Facebook Connect, and they'll also provide</p> <p>22 the transaction service.</p> <p>23 So, as a consumer, I can freely move around</p> <p>24 this ecosystem, try out a bunch of different digital</p> <p>25 services, and then when I get there, easily log in and</p>	<p>1 particular specifics of the token sale? Have you said</p> <p>2 you're going to raise X dollars, and is there a number</p> <p>3 that --</p> <p>4 MR. LIVINGSTON: So, we're going to be selling</p> <p>5 10% of all Kin, which will be 1 trillion tokens, later</p> <p>6 this summer. We think --</p> <p>7 MALE SPEAKER: A trillion tokens?</p> <p>8 MR. LIVINGSTON: We think -- we think big a</p> <p>9 Kik. We think big at Kik.</p> <p>10 MALE SPEAKER: What is that in dollars?</p> <p>11 MR. LIVINGSTON: So, in terms of the exact</p> <p>12 dollars, and the exact way we're going to do it, that's</p> <p>13 something we're going to work with the community over the</p> <p>14 next couple of weeks to figure out the best way to do it.</p> <p>15 MALE SPEAKER: So, you're looking for feedback,</p> <p>16 basically, the paper --</p> <p>17 MR. LIVINGSTON: Yeah.</p> <p>18 MALE SPEAKER: -- basically that you -- it's</p> <p>19 like a -- it's not a final paper, it's a --</p> <p>20 MR. LIVINGSTON: It's a draft.</p> <p>21 MALE SPEAKER: It's a draft.</p> <p>22 MR. LIVINGSTON: It's a first draft, and I</p> <p>23 think something about Kik is, we've been working on</p> <p>24 platforms for a very long time. So, we were actually the</p> <p>25 first chat app in the world to launch a platform back in</p>
<p style="text-align: right;">Page 11</p> <p>1 start earning and spending Kin right away in a way that's</p> <p>2 both frictionless, and secure.</p> <p>3 MALE SPEAKER: So, this is kind of -- it gets</p> <p>4 into governance territory, because now you have a</p> <p>5 responsibility for billions -- millions or maybe billions</p> <p>6 of dollars in cryptocurrency. So, how will you set up</p> <p>7 the governance structure? Is it going to be a separate</p> <p>8 structure from Kik Inc.?</p> <p>9 MR. LIVINGSTON: Yeah. So, the timeline for</p> <p>10 this is we're publishing our white paper today. We'll</p> <p>11 start integrating Kin into Kik in a way very similar to</p> <p>12 what we did with Kik coins, and then we'll announce a</p> <p>13 token distribution event later this summer, and from</p> <p>14 there, later this year or early next year, that's where</p> <p>15 we'll -- where we will start to open up the platform for</p> <p>16 other developers to join the ecosystem.</p> <p>17 At that point, that's where we'll create the</p> <p>18 Kin Foundation, and that's really why we want to publish</p> <p>19 the white paper, is figure out, who are the best people</p> <p>20 to run this?</p> <p>21 What is the best way to structure this?</p> <p>22 Because at the end of the day, you know, again, Kik -- we</p> <p>23 want to spark the creation of this ecosystem, but we want</p> <p>24 this ecosystem and Kin to go way beyond Kik.</p> <p>25 MALE SPEAKER: Can you talk about the</p>	<p>1 2011, and we were the first chat app in the western world</p> <p>2 to add bots in 2014, and to date, we've had 187,000 bots</p> <p>3 created on Kik. Kik is one of the biggest bot</p> <p>4 development platforms in the world.</p> <p>5 MALE SPEAKER: Bigger than Facebook?</p> <p>6 MR. LIVINGSTON: I don't know if they -- they</p> <p>7 haven't announced, I don't think, a bigger number than</p> <p>8 that, but who knows? And so, we -- the thing that people</p> <p>9 say when they work with us on our bot developer platform</p> <p>10 is, you know, we really like working with Kik, because</p> <p>11 they really come in and work with us, and that's what we</p> <p>12 want to do here.</p> <p>13 You know, we've been thinking about the</p> <p>14 blockchain space for a long time, but we've been looking</p> <p>15 at it as a technology, and thinking not about the</p> <p>16 technology, but to go to market with that technology.</p> <p>17 And so, with this announcement today, we really</p> <p>18 want to say, hey, we know we can't do this alone. We</p> <p>19 can't do it alone from a technology perspective. We</p> <p>20 can't do it alone from a digital service perspective.</p> <p>21 This really does have to be a community effort.</p> <p>22 MALE SPEAKER: This is kind of your Facebook</p> <p>23 killer move, perhaps?</p> <p>24 MR. LIVINGSTON: I think, like, we just</p> <p>25 recognize that even as a company as big as Kik, it's just</p>

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1 getting really hard to compete. You know, you can't 2 monetize through ads, because only Facebook has the scale 3 to do that effectively.	1 MALE SPEAKER: Great. Thanks very much. 2 MR. LIVINGSTON: Thank you. 3 (Applause.) 4 (End of audio.) 5 * * * * *
4 You can't sell stuff, because these big 5 companies give everything away for free, because only 6 they can monetize through ads, and if somebody does 7 manage to get through -- right? We're the first ones to 8 do a bot platform, if somebody does manage to get 9 through, they just say, "Oh, good idea," and they turn to 10 what I call a copy and crushed strategy.	6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
11 And they just say, "I'm going to copy you, and 12 I'm going to crush you," and we see them doing that to a 13 bunch of players in this space. So, to me, this is a 14 recognition of these huge companies taking over, a 15 recognition of -- that there is a better way, and a 16 recognition of -- that cryptocurrency is really the 17 unique tool for the first time ever that can economically 18 align a large group of people to all compete together.	
19 MALE SPEAKER: It's a weapon. 20 MR. LIVINGSTON: It's a weapon. 21 MALE SPEAKER: It -- becomes -- last question 22 is, a year from now, where do you think this will be? 23 Where do you want to be a year from now? 24 MR. LIVINGSTON: We want Kin as a 25 cryptocurrency, and as an ecosystem, to be on the path	
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1 to building this amazing alternative decentralized 2 ecosystem. And ecosystem that is compelling for 3 consumers. It's not just open, but it's actually better 4 because of its diversity, and a platform and ecosystem 5 that is open and fair for developers, where we all 6 compete together, and share in the value that gets 7 created in a fair and equitable way. 8 MALE SPEAKER: Great. On that note, I want to 9 thank Ted, and -- 10 MR. LIVINGSTON: Mm-hmm. 11 MALE SPEAKER: -- what's really interesting is 12 that Kik is a Canadian company, an hour from -- 13 MR. LIVINGSTON: Leave it to the Canadian. 14 MALE SPEAKER: -- where I live, and so we're 15 kind of neighbors, and -- 16 MR. LIVINGSTON: Yeah. So, we have 150 17 employees, offices in Waterloo, Toronto, New York, and 18 Tel Aviv. 19 MALE SPEAKER: Right. 20 MR. LIVINGSTON: So, we are a global company, 21 and we think this is the future, and we're going all in, 22 even to the point where -- to show our sort of commitment 23 to the space, and also to provide an example to others, 24 we'll be moving to open source all of Kik, both the 25 client and server code.	1 TRANSCRIBER'S CERTIFICATE 2 3 I, ERIC AXT, hereby certify that the foregoing 4 transcript is a complete, true and accurate transcription 5 of all matters contained on the recorded proceedings in 6 the matter of: 7 KIK INTERACTIVE, FILE: TOKEN SUMMIT, SURPRISE 8 ANNOUNCEMENT. 9 10 11 12 Transcriber 13 14 15 16 17 18 19 20 21 22 23 24 25